

OMISS Seminar
The Geographical Distribution of the Social Inequalities
of Health and of their Determinants
Montreal, June 7, 2002

The Role of Housing in Social Inequality and Spatial Segregation: A Tale of Two Toronto's

J. David Hulchanski, *Director*

Centre for Urban and Community Studies, University of Toronto

Summary of the presentation

"Housing is of central importance to quality of life. Ideally, it minimizes disease and injury, and contributes much to physical, mental and social well-being."

"The home environment should also afford protection against the hazards to health arising from the physical and social environment."

– World Health Organization, *Health and Environment*, 1997

Housing is the largest item in the budget of most households. Over recent decades the growth in the gap between rich and poor has manifested itself in the housing system. Although there is one land price and housing cost structure in urban areas there are now two groups of housing consumers. One, homeowners, has more than double the income of the other, renters.

The gap between the median income of homeowners and renters grew by 16% between 1984 and 1999 (from \$19,800 in 1984 to \$22,500 in 1999). In 1984, homeowners had almost double the income of renters (192%). By 1999, the gap had increased to more than double (208%). This represents an average growth in the income gap between owners and renters of about 1% a year. During the same period the wealth of homeowners increased from being 29 times that of renters in 1984 to 70 times that of renters in 1999. In the late 1960's, when a great deal of private rental housing was built, the income gap between homeowners and renters was about 20%. Poverty and housing tenure are now much more closely connected. (1)

The need and demand for housing in Canada is increasingly concentrated. In 2001 51% of Canada's 30 million people lived in four metropolitan areas, compared to 41% in 1971. The 1996-2001 growth rate in these four was 7.6% compared to 0.5% in the rest of the country. The greater Toronto region alone accounts for 22% of the country's population (6.7 million). It grew by 9.2% between 1996 and 2001, making Toronto one of the fastest growing urban regions in North America.

In the City of Toronto, where half of all households are renters, vacancy rates have been below 1% for most of the past two decades. There has also been a very low rate of construction of new rental housing. Private sector completions averaged about 1,000 units per year during the 1980's and about 100 units (not buildings) per year during the 1990's. Toronto has over 500,000 renter households. About half of all immigrants to Canada settle in the Toronto area.

More renter households are now living in overcrowded conditions in an aging rental housing stock. Many thousands live in makeshift basement apartments in houses. About 5% of the City's rental stock is comprised of condominium units. These do not provide security of tenure (the owner can decide to occupy the unit at anytime).

Public policy has exacerbated the problem. In 1985 the federal government began annual cuts in the number of social housing units built and in 1993 discontinued the program altogether. In 1995 the Ontario government ended its social housing supply program. As a result Canada now has the most private sector market-based housing system of any Western nation, including the U.S. A 1996 Cambridge University study comparing the housing systems and housing policies in 12 Western nations found that, compared to all the other countries, "Canada has an essentially free market approach to housing finance. Owner-occupation has the advantage of not paying capital gains tax whilst there is very little support for investment in the private rental sector and tenants receive very little support in paying rents." (2)

Properly functioning markets will meet demand with supply. This happens in the home ownership sector of Canada's housing system but not in the rental sector. Given the polarization in income between owners and renters, given the very market oriented nature of the housing system, given the limited role of government in the rental and social housing sectors of the housing system, the only possible outcome is a lack of rental construction and rising rents. This means the existing stock of rental housing is aging, rents rise as demand and need increase without there being any increase in supply.

Two very different Toronto's are emerging. One is adequately housed, paying an increasingly smaller amount of household income for very high quality housing. The other has fewer options within an aging and relatively poor quality rental stock, and is paying a greater percentage of household income on housing, leaving less money for other essentials. From time-to-time some of these households find themselves unhoused -- unable to pay the rent or unable to find another place in time. Over 5,000 people use Toronto's homeless shelters every evening, up from about 2,000 in the early 1990s.

In addition, there are geographic, ethno-racial and gender implications. Municipal zoning has produced relatively homogeneous districts with concentrations of low-density homeownership housing and higher density rental housing. The gap between the better quality neighbourhoods and the less desirable neighbourhoods is increasing in Toronto as households are sorted by market dynamics on the basis of their social-economic status. This has always been the case to some degree. What has been added to the 'sorting process' over the recent two decades is the 'colour' and gender of households living in poverty and increased concentration in a number of deteriorating districts of the city.

Housing consists of four key aspects, with each playing an important role in overall well-being: *house*, the physical structure, its design and characteristics; *home*, the social, emotional and psychological aspects of the physical house; *neighbourhood*, the immediate physical area around the house; and *community*, the social characteristics and range of important services in a neighbourhood. There are many indicators pointing to a huge quality gap developing in the residential living conditions of Canadians. For some, each of these four inter-related aspects of housing is deteriorating. Thus far there has been limited focus on this trend and virtually no effective public response.

- (1) Hulchanski, J.D. (2001) *A Tale of Two Canadas: Homeowners Getting Richer, Renters Getting Poorer, 1984 and 1999*, Toronto: Centre for Urban and Community Studies, University of Toronto, Research Bulletin #2.
- (2) Freeman, A.J.M., A.E. Holmans and C.M.E. Whitehead (1996) *Is the UK Different? International Comparisons of Tenure Patterns*, London: Council of Mortgage Lenders, a study carried out by the Property Research Unit of Cambridge University.

J. David Hulchanski, Professor and Director
Centre for Urban and Community Studies, University of Toronto
455 Spadina Avenue, Suite 400, Toronto, Ontario M5S 2G8
tel. 416 978-4093; fax 416 978-2072; email: david.hulchanski@utoronto.ca
www.urbancentre.utoronto.ca www.housingagain.web.net www.hnc.utoronto.ca

Table 1
Canada's Three Largest Metropolitan Areas
Number of Households by Tenure, 1999

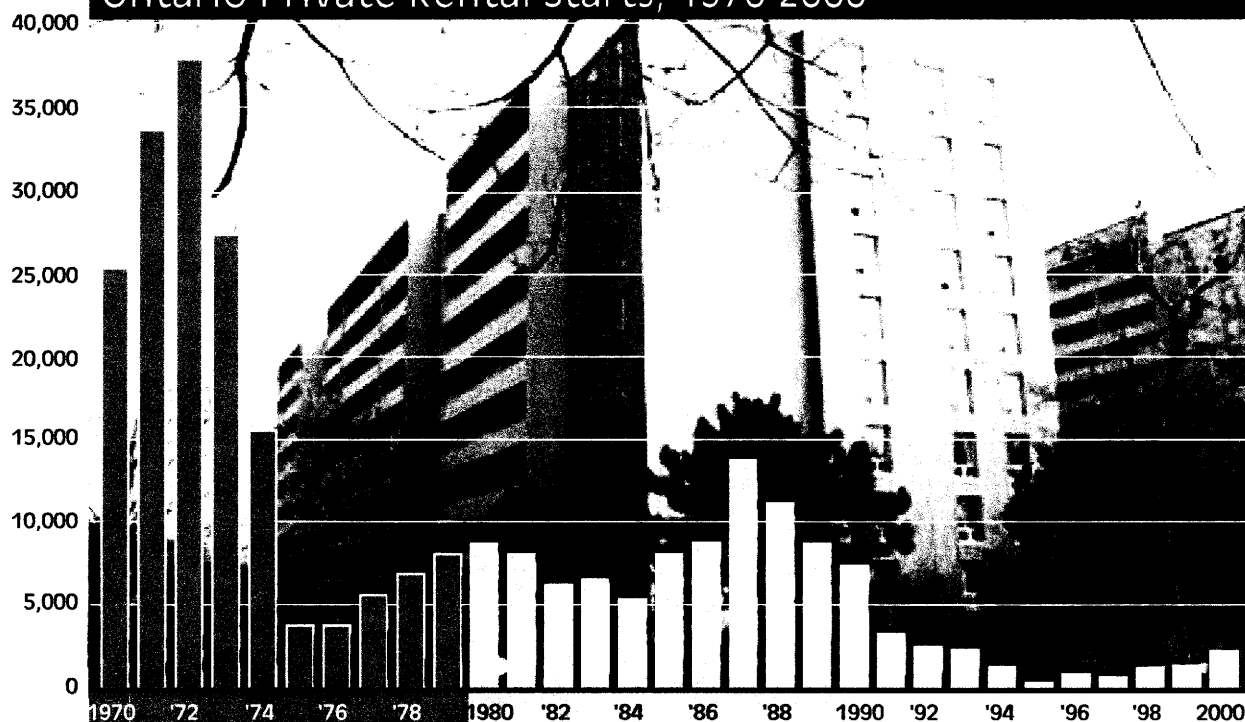
Metropolitan Area	Owners	Renters	Total	% Renters
Toronto	940,000	780,000	1,720,000	45%
Montreal	690,000	820,000	1,510,000	54%
Vancouver	450,000	390,000	840,000	46%
3 Metro Areas Total	2,080,000	1,990,000	4,070,000	
Canada – Total	7,375,000	4,840,000	12,215,000	40%
Three Metropolitan Areas as a % of Canada	28%	41%	33%	

Table 2
Comparison of Income and Wealth of Owner and Renter Households
Canada, Toronto, Montreal and Vancouver, 1984 and 1999 (1984 \$ adjusted to 1999 \$)

	Median Income			Median Net Worth		
		owners	renters		owners	renters
Canada	1984	\$41,380	\$21,554	1984	\$116,845	\$3,985
	1999	\$43,478	\$20,947	1999	\$145,200	\$2,060
	change	\$2,098	-\$607	change	\$28,355	-\$1,925
	% change	5%	-3%	% change	24%	-48%
Toronto		owners	renters		owners	renters
	1984	\$48,821	\$24,212	1984	\$174,254	\$4,291
	1999	\$53,563	\$27,039	1999	\$248,400	\$3,300
	change	\$4,742	\$2,827	change	\$74,146	-\$991
Montreal		owners	renters		owners	renters
	1984	\$44,266	\$23,389	1984	\$107,174	\$4,291
	1999	\$43,944	\$19,605	1999	\$142,291	\$2,112
	change	-\$322	-\$3,784	change	\$35,117	-\$2,179
Vancouver		owners	renters		owners	renters
	1984	\$49,982	\$24,407	1984	\$192,340	\$5,574
	1999	\$47,310	\$21,897	1999	\$243,550	\$5,000
	change	-\$2,672	-\$2,510	change	\$51,210	-\$574
	% change	-5%	-10%	% change	27%	-10%

Source: Statistics Canada, Survey of Financial Security, 1984, 1999.

Ontario Private Rental Starts, 1970-2000



THE 1970s

TAX CHANGES:

Pooling of capital cost allowance (CCA) disallowed in 1972; discourages rental developers from reinvesting in new rental stock

LEGISLATIVE CHANGES:

Rent controls introduced in 1975.

BUSINESS ENVIRONMENT:

Condominium housing becomes established in the market.

PROGRAM RESPONSES:

National Housing Act passed * in 1973; begins era of social housing.

Multi-Unit Residential Building (MURB) program and Assisted Rental Program (ARP) stimulate private rental development.

THE 1980s

Continued tightening of income tax rules for CCA.

Soft costs disallowed as a deduction from construction costs.

High interest rates.

MURB program, Canadian Rental Supply Program (CRSP), and Canadian-Ontario Rental Supply program (CORSP) stimulate private rental.

Federal withdrawal from social housing programs.

THE 1990s

Further CCA restrictions in 1990.

Full GST applied to rental housing in 1991.

Provincial sales tax rebate program starts in 1998.

Some GST and capital gains tax relief introduced in 2000.

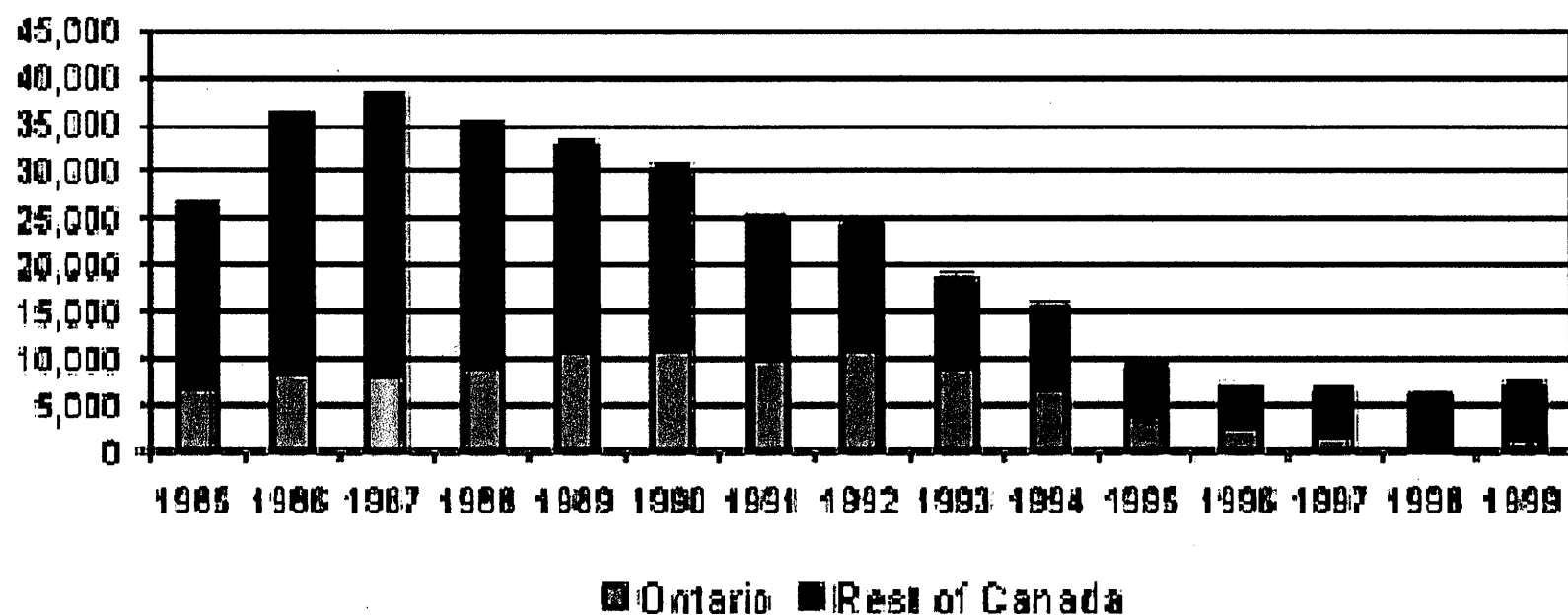
Rent controls re-introduced in 1992; eliminated in 1998.

CMHC introduces restrictive underwriting criteria for rental housing.

Ontario cancels non-profit housing supply programs in 1995.

Source: Urban Development Services Ltd. Planning Division; data prepared by Gordon Research

Rental Apartment Completions for Canadian Urban Centres, 10,000+ Population, 1985-1999



Source: CMHC, Canadian Housing Statistics: Dwelling Completions by Intended Market for Centres of 10,000+ population, by province

Net Total Social Expenditure

National Comparisons

Percent of GDP, OECD Indicators, 2001

*The part of an economy's domestic production
recipients of social benefits draw on.*

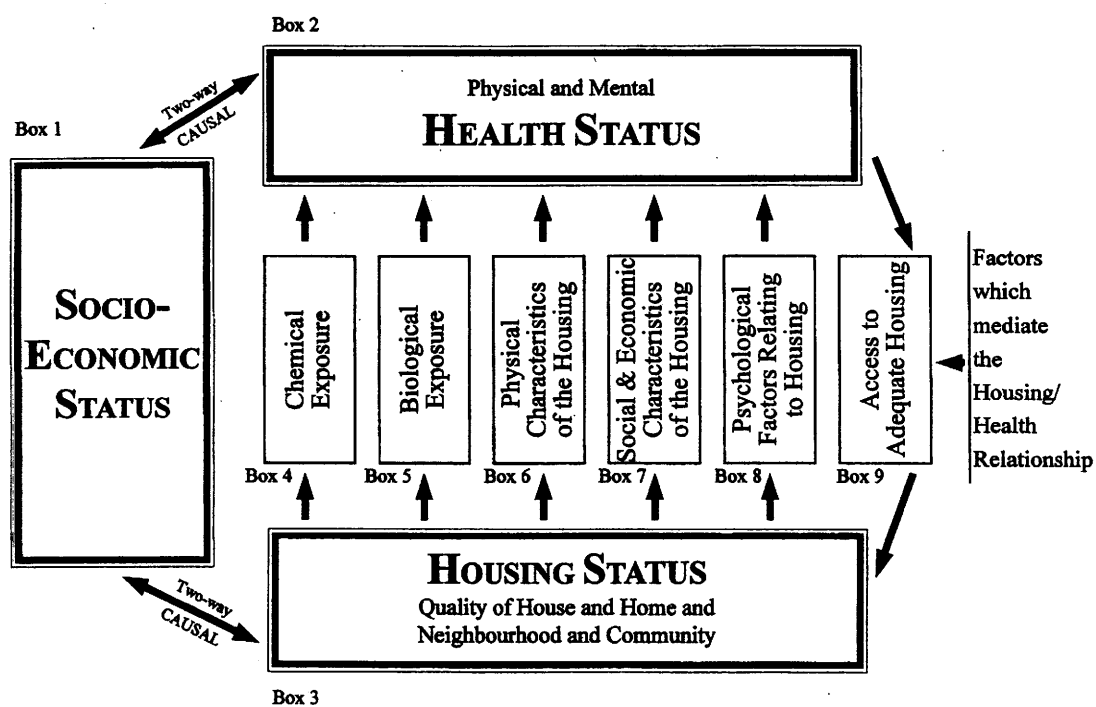
*A measure of what governments really devote
to social spending.*

*Net (after tax) public and private expenditure,
including tax system benefits.*

	% of GDP	1997	+/- 1995 % of GDP
Germany		28.8	+ 0.4
Sweden		27.3	- 0.8
Belgium		25.4	+ 0.1
Denmark		23.5	- 1.0
Italy		22.7	na
United Kingdom		21.8	- 1.5
United States		21.8	- 0.6
Netherlands		21.5	- 1.0
Australia		20.4	+ 0.1
Canada		18.9	- 1.7
New Zealand		17.5	na
Ireland		16.5	-1.4
Japan		14.7	na

Source: OECD, *Net Social Expenditure*, 2nd Edition, Labour Market and Social Policy - Occasional Papers No. 52, Aug. 2001. Tables 7 and A2.1. DEELSA/ELSAWD(2001)5

CONCEPTUAL MODEL OF THE HOUSING/HEALTH RELATIONSHIP



Conceptual Model of the Housing System and Tenure Options

with Ontario Dwelling Stock Data, 1991 Census

TENURE OPTIONS Every housing system provides a mix of tenures Tenure: the terms and conditions by which housing is owned and occupied. Ontario 1991 Data (3,638,000 total units)		Key Components of the HOUSING SYSTEM			
		PROVISION of Housing		CONSUMPTION of Housing	
		Production The process (i.e., the social and economic relations) by which dwellings are built	Access The process by which households obtain a dwelling	Occupancy The process by which households make use of a dwelling and its surroundings	Maintenance The process by which dwellings are maintained
1	Home Ownership 63.7% 2,316,000 owner occupied units				
2	Private Renting 29.5% 1,074,000 private sector rental units; 81.5% of total rental stock				
3	Non-Profit Renting 4.0% 146,500 non-profit and co-op social housing units; 11.1% of total rental stock				
4	Public Housing 2.7% 97,400 units (84,500 OHC & 12,900 MTHCL units); 7.4% of total rental stock				

Private sector rental stock = (1,318,000 total rental stock, 1991 Census) - (97,400 OHC & MTHCL units) - (146,500 Non-Profit units) = 1,074,000 private sector rental units (81.5% of the total rental stock).

Source: Statistics Canada (1992) *Dwellings and Households: The Nation*, Ottawa, Catalogue 93-311. Social housing stock data from the Ontario Ministry of Municipal Affairs and Housing.

J.D. Hulchanski, Centre for Urban and Community Studies, University of Toronto, 1995